

SIFAV Working Group on sustainable trading practices in smallholder supply chains

SIFAV is currently setting up a working group to address the concerns voiced by some members regarding the safeguarding of sustainable trading practices in supply chains including smallholders.

Sustainable trading practices are defined slightly differently by different standards and organizations, but common elements are:¹

- The payment of a price that has been mutually agreed with growers through dialogue and participation, and which provides fair pay to the producers considering their costs of production and production risks.
- Fair and transparent contracts that allow growers to safely invest their time and resources in the production of a crop
- An intention to sustain long term relationships which create a basis for investing in training and sustainable production techniques which have a positive impact on productivity and ecology in the long term.

The issue

Smallholders are relevant production partners in many supply chains and represent a great potential for sustainable supply chains to contribute to poverty alleviation. SIFAV members have committed to 100% sustainable sourcing by 2020 but many social certificates used to ensure supply chain sustainability focus mainly on worker rights and welfare. This is valid, but is not sufficient in supply chains dominated by smallholders where sustainable trading practices are a key element in ensuring sustainable production conditions at all levels in the supply chain. A lack of sustainable trading practices may lead to an economic short term focus by farmers and a proliferation of unsustainable production conditions at the level of smallholder production units.

Why this matters:

Sustainability risks accumulate at the level of the farmer if (s)he is in an economic 'survival mode'. Examples include:

- A stronger focus on short term productivity gain, and less focus on a sustainable production system in the long term using integrated pest management, crop rotation and soil conservation techniques.
- A stronger pressure to use chemicals to protect a vulnerable crop, because the farmer cannot absorb the financial risk of a failed harvest

¹ For more detailed information and examples on sustainable trading practices, see:

<http://wfto.com/fair-trade/10-principles-fair-trade> (principles 3 and 4)

http://www.fairtradeusa.org/sites/all/files/wysiwyg/filemanager/standards/FTUSA_Standards_Principles.pdf (Principle of Economic Development)

http://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/TS_EN.pdf (section 4 on 'Business and development')

http://www.fairforlife.org/client/fairforlife/file/FFL_2013_4_Handlers.pdf (section 4.2 on 'Partnership and favourable trading terms' and 'Fair for life pricing and fair trade development premiums')



- A lack of incentives to respect worker rights at the level of the farmer, and pressure to cut labour costs. This may lead to increased levels of child labour (or unduly employment of young workers), or not respecting legal minimum wages
- A stronger incentive for side selling to take advantage of temporary peak prices and hence less reliability in planned volumes.

These issues can undermine the reliability of supply chains and thereby harm the interests of all supply chain partners.

Approach

The approach consists of 3 main phases:

1. Identification of the scope of the problem: in which supply chains is the problem most relevant? To what extent is the problem limited to smallholder supply chains, or do we need to extend the scope to sustainable trading practices in all supply chains?
2. Development of a common framework for making sustainable trading practices a core element of a strategy for sustainable sourcing. What lessons can be learned from standards of FLO Fairtrade or IMO Fair for Life? What other methodologies are available for understanding the costs of sustainable production and appropriate trading practices?
3. Propose a framework and roadmap for making sustainable trading practices an integral part of SIFAV and the member's commitment to 100% sustainable sourcing. Is it a good idea to include it in a new version of the covenant after 2020? Is there a way to engage SIFAV members to take up this topic before 2020? This phase includes the development and dissemination of materials providing guidance to SIFAV members on implementing and monitoring sustainable trading practices in their supply chains.

Outcome

The outcome of the working group will be a concrete proposal on how to integrate sustainable trading practices in all supply chains in a pragmatic way. This will have a positive impact on different levels: it will create a context in which sustainability issues in certain supply chains can be solved by engaging smallholder producers in a more positive way in international supply chains. This in turn will have a positive effect on the reliability of the production volumes and product quality in these supply chains which is beneficial for all supply chain partners (including SIFAV members). Finally, the integration of sustainable trading practices in relevant supply chains will allow SIFAV to make a quantum leap in becoming more relevant for poverty alleviation and thereby meet its general objectives.

Prospective partners (working group)

Private	NGO / Civil Society	Public
<ul style="list-style-type: none">• FairFruit• ...	<ul style="list-style-type: none">• ICCO• ...	<ul style="list-style-type: none">• ...



Timeline

Quarter	Activity
Q2 2017	Consultation of SIFAV partners
Q3	First discussions of the working group. Meetings will be held every month
Q4	Define most relevant supply chains and most appropriate standard/model for defining sustainable trading practices
Q1 2018	Propose a concrete outcome for taking sustainable trading practices on board in SIFAV in the next General Assembly Elaboration of materials for guidance on the implementation and monitoring of sustainable trade practices in SIFAV members' supply chains.

How to participate

The working group is open to all SIFAV members. Members are expected to actively contribute (also between meetings) and to be committed to integrating sustainable trading practices into their respective supply chains.